

**STATUTORY AUDIT TURNAROUND PLAN  
2010/2011 – IMPLEMENTATION PLAN**

independent reputable supplier, in respect of the goods and services procured was estimated at R58 520.							Expenditure.  Per Audit Committee meeting 25/02/2011 to advise for service providers to apply to be on suppliers database.
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#	Audit Finding	Rating	Unit	Root Cause	Action	Assigned To	Date of action	Action to Date
3.	Deviations from quotation process.	H	SCM	<ul style="list-style-type: none"> <li>Poor planning by user department (Assessment of needs).</li> </ul>	<ul style="list-style-type: none"> <li>Amend SCM Policy i.e. Deviations be approved by CFO and MM according with delegated authority.</li> <li>Centralization of the SCM process and deviation should be prepared via SCM by user department.</li> </ul>	SCM: Manager	31/03/2011	Check Colin Harris SCM Policy to be amended.  See 2 above for other actions.
4.	Procurement split into parts to circumvent the prescribed process.	H	SCM	<ul style="list-style-type: none"> <li>User department making their procurement</li> <li>Lack of CMS</li> </ul>	<ul style="list-style-type: none"> <li>Implement a CMS. A meeting has been set with Munsoft to activate the module plus training.</li> <li>Identify the project which needs to entered over fixed terms period of which the service providers are appointed through Bi Process e.g. water tankers, event co-ordinators, toilets, disconnection/reconnections etc.</li> </ul>	SCM  SCM	30/06/2011  30/06/2011	CFO working with Munsoft.  Technical Services Department to draw up specifications for services rendered on a regular basis to avoid splitting procurement into parts.
5.	Awards without proof of tax clearance	H	SCM		Refer 2 above	Refer 2 above	Refer 2 above	Files have been opened for each service provider and

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6.	Preference points not applied.	H	SCM	Centralization of the SCM Process	All departs	Immediate effect	the tax clearance certificates are filed on these files. Preference points are applied to all relevant procurements. Preference point workings are sent with order to expenditure section and are filed with expenditure voucher. Done.
7.	Deviations from competitive bidding process: <ul style="list-style-type: none"> <li>Advertisement days not in compliance with the SCM Policy</li> <li>Payment for goods and services in excess of R200k were not procured by means of competitive bidding process and deviations were not approved by the Municipal Manager.</li> </ul>	H	SCM	Centralization of the SCM Process	All departs	Immediate effect	
8.	Evaluation committee did not evaluate the bidders' ability to execute the contract	M	SCM	Audit query cleared during audit process	N/A	N/A	
9	Construction contracts awarded to contractors with lower grading/ incorrect class of works.	M	SCM	Audit query cleared during audit process	N/A	N/A	
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10.	Bids/Quotations not advertised on municipality website and in line with the days prescribed in the SCM	H	SCM	<ul style="list-style-type: none"> <li>Web-site was not functioning.</li> <li>Implemented</li> </ul>	N/A	N/A	

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	Policy.		H	SCM		Lack of management supervision.	Once off issues and it was cleared	N/A	N/A
11.	Incorrect allocation of preference points • Municipality allocated 25 HDI.		H	SCM		Accounting officer did not delegate powers and duties in writing.	• Once off issues and it was cleared	N/A	N/A
12.	Supplier did not provide all details in bid document e.g. Company registration document; Tax reference number, VAT etc.		H	SCM		Ongoing monitoring and supervision by the SCM manager is not undertaken to enable an assessment of the effectiveness of internal control over SCM processes in compliance with applicable laws and regulations.	• Once off issues and it was cleared	N/A	N/A
13.	Delegations by accounting officer not in writing.		H	SCM		Accounting officer did not delegate powers and duties in writing.	• Every beginning of the financial period declaration must be signed.	MM	01/05/2011
14.	Shortcomings with administration of the supplier database/list: • No catalogue per supplier per commodity & per type of service. • Requirement for accreditation of supplier not listed in the SCM Policy. • No annually review and advertisement of supplier's Database not updated quarterly.		H	SCM		Ongoing monitoring and supervision by the SCM manager is not undertaken to enable an assessment of the effectiveness of internal control over SCM processes in compliance with applicable laws and regulations.	Refer 2 above	Refer 2 above	Munsoft system to cater for per commodity and per type of service.  CFO to identify students to clean database.  Annual review and advertisement re suppliers database to be undertaken once database is clean.
15.	Bid specification not approved by the accounting officer.	M	M	SCM		Audit query cleared during audit process	Audit query cleared during audit process	N/A	N/A
16.	Invitations for construction contract not published on the CIDB website.	H	H	SCM		• Implemented	• Implemented	N/A	N/A
17.	Expenditure - No conditions for procurement by petty	M	M	SCM		Audit query cleared during audit process	Audit query cleared during audit process	N/A	N/A

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cash.									
18.	Quotations obtained from suppliers not on supplier database/list.	H	SCM		Refer 2 above	Refer 2 above	Refer 2 above	See 14 above. Existing database is used and except in exceptional circumstance service providers are on the supplier database. Presently Munsoft and DIMS databases are being used for this purpose.	
#	Audit Finding	Rating	Root Cause	Action	Actions	Date of action	Action to Date		
19.	Incompleteness of accruals.	HH	Exp	<ul style="list-style-type: none"><li>Procurement process not followed by the user department</li><li>Lack contract management system</li></ul>	<ul style="list-style-type: none"><li>Centralization of SCM and perform an SCM road-show.</li><li>Sign a SLA with use department.</li><li>Engage the Munsoft – about CMS.</li><li>Review of monthly accruals – CFO.</li><li>Set up monthly meeting with user departments – budget/expenditure (Sne/Themba)</li></ul>	T. Shezi S Mkhize 31/03/2011	<p>Munsoft to write Contracts Module that will allow for financial management of financial commitments of each project.</p> <p>Interim measure – Order will be issued with value. Meeting with Tech Serv to establish values of projects as at 01/07/2010.</p> <p>Tech Serv to provide cash flows for each project.</p> <p>Direct payments have been stopped. Outstanding orders are reviewed on a monthly basis.emo to be sent to Departments stopping ordering of goods and services on 15 June.</p> <p>Creditors reconciliations done on a monthly basis and reviewed by T Shezi.</p> <p>Thami doing recon. N</p>		
20.	Unallocated water deposits		Rev	<ul style="list-style-type: none"><li>Register for unallocated</li></ul>	<ul style="list-style-type: none"><li>Reconciliation of unallocated</li></ul>	N.	Implementd		

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				receipts are not maintained.	vote is performed and reviewed by Nhlaka.	Mthembu		Mthembu reviewing monthly.
21.	Intangible assets not recognized.	H	Budget		Combined Systems to be advised to include all intangible assets in the FAR.	Dave	31/03/2011	Problem with unallocated deposits prior to 2009.
22.	Assets with no residual value – GRAP 17	H	Budget		Combined Systems to be advised to review all residual values particularly those with no residual value.	Dave	31/03/2011	
23.	Assets with high residual values	H	Budget		Combined Systems to be advised to review all residual values particularly those with high residual values.	Dave	31/03/2011	
24.	No formal agreements (Sangweni) in place for the use of land and building.	H	Corp Serv		Finalise future of Sangweni Centre and obtain the necessary agreements from KwaDukuza and Enterprise Ilembe.	MM and Director Corporate Services	31/05/2011	Lease agreement entered into between IDM and EI.  No lease agreement between IDM and KDM. Matter still to be addressed.
25.	Asset (Purification Plant) and revenue from non exchange transaction not recognized.		Budget/ Rev		Purification Plant recognize in AFS and FAR for year ended 30 June 2010.			Done.
26.	Interest on debtors' revenue figure does not agree to debtors' interest report.		Rev		Cleared			Done.
27.	Repairs and maintenance discrepancies: • Improvements not capitalized • Incorrect classification • No invoices found	H	Exp	Requisition form are completed incorrect i.e. requests for repairs whilst service performed is of the capital nature (pumps)	<ul style="list-style-type: none"> <li>Review of invoices by expenditure accountant.</li> <li>Create budget line item for acquisition of new pumps.</li> <li>Engage Technical Service about the need to defined request properly and use of correct vote.</li> <li>Confirmation vote by the budget officer prior acquisition.</li> <li>Review of ledger accounts on a monthly basis – CFO/Manager</li> </ul>	S. Mkhize T. Shezi	31/03/2011	Vote allocation on requisition to be checked by Budget Section.  All R&M expenditure for 2010/11 to be reviewed by T Shezi to ensure correctness of allocations to vote numbers.

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28.	VAT not accounted for on accruals	H	Exp	<ul style="list-style-type: none"> <li>The system is not configured to cater VAT for accruals.</li> </ul>	<ul style="list-style-type: none"> <li>To engage Munsoft to address the issue.</li> </ul>	T. Shezi	31/05/2011	Munsoft to be approached to rectify system generated year end journal entry as regards accruals (outstanding orders) at 30 June.
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29.	Incorrect valuation of leased assets and finance lease liability.		Budget		Figures were corrected in the AFS for the year ended 30 June 2011.	N.A.	N.A.	
30.	Stock on hand not included in the inventory.	H	SCM	<ul style="list-style-type: none"> <li>Lack of management supervision.</li> </ul>	<ul style="list-style-type: none"> <li>Cleared, we need perform stock count quarterly starting from end of March.</li> <li>Monthly review of stock count..</li> <li>Outside stores to be brought onto stores computer system and managed/monitored.</li> </ul>	SCM	01/04/2011	<p>CFO to speak to Terry McCullum re introduction of system.</p> <p>CFO to employ staff to run outside stores and outside stores to be brought onto Munsoft.</p>
31.	Inventory incorrectly reflected in the financial statements	H	SCM/ Budget		Refer 30.	Refer 30	Refer 30	See 30 above.
32.	Incomplete and inaccurate water revenue and debtors. (Revenue not recognized for water meter installed before year end)	H	Rev	<ul style="list-style-type: none"> <li>Lack of communication between revenue and technical.</li> <li>Lack recoding of meter issued by stores.</li> <li>Lack of monthly reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Zanele to phone Microvision about system developed.</li> <li>Workshop all stakeholders (store, revenue &amp; technical) involved to workshop the process</li> <li>Keep register of all new application.</li> <li>Monthly reporting for new installation and change of meters.</li> </ul>	S. Mkhize Z. Mkhize	31/03/2011	

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33.	Existence of debtors	H	Rev	<ul style="list-style-type: none"> <li>Debt Steering Committee is inconsistent.</li> <li>Inconsistent credit control or process.</li> <li>Incorrect customer database</li> </ul>	<ul style="list-style-type: none"> <li>Stratification of information – for actions</li> <li>Debt collection – appointment of panel</li> <li>Zoning of areas to verify information.</li> <li>Operation Zumbula i-meter.</li> </ul>	S. Mkhize Z. Mkhize	28/02/2011 ????????	
34.	Outstanding EFT payment not reversed at year-end.	H	Exp	Lack of CMS Lack of segregation of duties	<ul style="list-style-type: none"> <li>Implementation of contract module.</li> <li>Supervision of bank recons.</li> </ul>	T. Shezi	31/03/2011	Duties have been split. Capturing of creditors is done separately to posting to cash book. Cash book is only updated the day before the payment is made.
35.	Overstatement of leave pay provision.	H	Exp	Lack leave monitoring	<ul style="list-style-type: none"> <li>Calculation of monthly leave provision - Sthe Mavundla.</li> </ul>	T. Shezi	28/02/2011	Leave pay provision is calculated on a monthly basis and is reviewed by T. Shezi.
36.	Failure of the directors to report to the accounting officer on deviations approved from the procurement process.	H	SCM/ All unit		System to be put in place where Directors (HODS) are involved in the procurement process for their department and will be required to explain and authorize any deviations from SCM policy.	SCM	31/03/2011	System to be put in place – Directors' responsibility.

#	Audit Finding	Rating	Unit	Root Cause	Action	Assigned to	Date	Action to Date
37.	Acceptance of verbal and written quotations by directors is not reported to the accounting officer.	H	SCM		Directors to approve all appointments of service providers undertaking work for their department prior to the appointment and to report monthly to the MM all appointments of service providers for their departments.	SCM and All Directors	31/03/2011	System to be put in place – Directors' responsibility.
38.	Awards by directors and BAC not reported to the accounting officer.	H	SCM		SCM to institute monthly report to MM showing all SCM awards.	SCM	31/03/2011	Manager:SCM to report to MM.

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39.	Annual declaration of financial interest not completed timeously.	M	MM		All Councillors and Senior Officials to sign declaration of financial interest forms annually.	C Harris		Per Colin Harris Councillors and Senior Management complied for the 2010/11 year.
40.	No evidence of community participation in respect of setting appropriate KPI's and performance targets.	M	MM		Minutes/attendance registers, photos to be documented and filed as evidence of community participation.	Dir Corp Gov/R Maree		
41.	No half-yearly performance report submitted for municipal entity.	M	MM		Half yearly performance report to be submitted in terms of the MFMA to the MM by 20 January 2011.	CEO Enterprise Ilembe	20/01/2011	Done for 2010/11.
42.	Progress on addressing previous problems not detailed in half yearly performance report.	M	MM		MM to address previous problems and progress thereon in his half yearly performance report.	MM	25/01/2011	Done in the Mid Term Review for the 2010/11 financial year.
43.	SDBIP not approved by the Mayor within 28 days of the approval of the budget.	M	MM		SDBIP to be approved by the Mayor 28 days after the approval of the budget.	Manager PMS		
44.	Performance management framework not developed and approved.	H	MM		Performance management framework to be developed and approved.	Manager PMS	30/04/2011	
45.	Debtors figure disclosed does not agree to independent confirmation.	M	REV		Umgeni water debtor balance to be agreed with Umgeni Water. If necessary adjustment needs to be made to the accounting record to reflect the correct amount.	T Shezi	31/03/2011	MM to engage with Umgeni Water as regards Right of Use Agreement and the R2.0 mil. T Shezi to reconcile Umgeni water Debtor and agree with UW.
46.	Commitment disclosed note does not agree to supporting schedule.		Tech Serv		System to be implemented to monitor projects awarded showing expenditure to date and commitment going forward.	Tech Services	31/03/2011	See Item 19.
47.	Audit fee incorrectly disclosed as a creditor in AFS.	M	Budget		All audit fees to be accounted for in the accounting period that the service was provided. No estimated accrual to be raised in future.	T Shezi	30/06/2011	All accounting fees to be accounted for in the accounting period that the service was provided.
48.	Planned and reported		MM		KPIs to be specific, measurable,	Manager:	30/04/2011	

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performance indicators not specific				achievable, relevant and time bound.	PMS		
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#	Audit Finding	Rating	Unit	Root Cause	Action	Assigned To	Date of action	Action to Date
49.	Budget not allocated as per development objective in SDBIP.	M	MM		SDBIP to reflect correct budget figures per KPI.	Manager PMS	31/03/2011	
50.	Inadequate content of IDP		MM		IDP to include Key performance Indicators and Performance Targets in terms of the Performance Management System.	Manager IDP and Planning	30/04/2011	IDP to show full SDBIP Organisational Scorecard.
51.	Reported actual performance is not accurate and complete when compared to source information	M	MM		Actual performance to be backed by source information/evidence.	Manager PMS	Every Quarter	
52.	No formalized, documented and approved policies pertinent to financial reporting.	M	Finance		To develop and workshop to the Council by the end of March 11.	S Mkhize	31/03/2011	
53.	Code of Conduct not periodically acknowledged by signature from all employees.	L	MM		All existing and in future new employees to be given a Code of Conduct for which a signature must be obtained.	Manager HR	30/06/2011	Manager: HR to put Code of Conduct on website. Email sent to all staff with email addresses. All staff without Email addresses to be workshopped on Code of Conduct. Ex Audit Committee 25/02/2011 all employees to be given Code of Conduct on receipt of their signature

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54.	Inadequate risk assessment procedures.	M	MM			Risk assessment procedures to be scrutinised and where necessary revised to ensure that they are adequate.	MM	30/04/2011	during the Employee Verification process. Risk Assessment Officer appointed on a four month contract basis to enact framework.
55.	No evidence of review of the investment register on a monthly basis.	L	Exp			Investment register will be reviewed and signed by Manager. Expenditure on monthly basis.	T. Shezi	31/01/2011	T Shezi is signing the Investment Register on a monthly basis.  T Shezi to ensure Investment Statement reconciles with the General Ledger on a monthly basis.
56.	Overtime in excess of 30% of basic salary	M	Corp Serv			Each department to introduce an overtime register reflecting each employee and the overtime authorized for each month. Where 30% of basic salary (approx. 48 hours) is reached no further overtime should be authorized.	All Directors	31/03/2011	Each department to introduce overtime register to manage overtime in terms of the BCOE Act.  HR Manager to look at ways of introducing shifts so as to alleviate the problems experienced by the Tech Serv Department.
57.	No evidence of screening/vetting of new employees.	H	Corp Serv			Methods of screening employees prior to appointment to be introduced.	Manager HR	31/03/2011	Per Manager: HR due to the time constraints involved only Directors, Managers and SCM staff are vetted.

#	Audit Finding	Rating	Unit	Root Cause	Action	Assigned to	Date of action	Action to Date
58.	Suppliers not paid within 30 days.	M	Exp	<ul style="list-style-type: none"> <li>Lack of proper creditors system.</li> <li>None compliance with SCM process.</li> <li>Lack of SLA between Finance and other user</li> </ul>	<ul style="list-style-type: none"> <li>Review of age analysis and outstanding orders.</li> <li>Workshop of the SCM process.</li> <li>Finalization of SLA between Finance and other user</li> </ul>	T. Shezi	31/05/2011	Invoices dated on receipt.  Where invoices are not paid within 30 days reason for non payment will be documented on the invoice.

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